
Wellness Trends in 2002

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It is safe to say that American consumers will change at an accelerated rate in 2002. The result of this acceleration will not necessarily equate to “more and faster,” but, perhaps, to “less and slower.” Though this may seem contradictory, it represents a shift in the mindset of today’s consumers in terms of quality vs. quantity. Trends in the health and wellness market—a progressive and essential industry—will echo larger cultural changes in American-consumer perceptions and behavior.

While it is impossible to predict specific cultural impacts of September 11 and effects on the economy, one thing is certain: it made people think. Consumers have been forced to question, reflect upon, reexamine, explore and analyze, both on organizational and on individual levels. This process is ultimately about cultural change. So, what is changing?

WHAT IS REALLY IMPORTANT?

Consumers’ behavior and purchase decisions are shifting to reflect what they feel is most important, what products and services they value and what they are most willing to pay for and invest in.

What We Need? Alongside the reprioritization of values, consumers are being pushed to redefine essential and non-essential needs: “Do I really need that new J. Crew sweater, when I already have seventeen sweaters filling up my closet?” Emotional and/or spiritual needs that are amplified now may include the need to:

- slow down,
- simplify,
- feel in control,
- take responsibility,
- feel healthy,
- feel informed,
- be oneself, emphasizing authenticity and individuality,
- spend on what is important, rather than on what is extravagant.

The shifting of consumers' needs—material and non-material—will not only reflect an either/or dynamic; shoppers will not simply stop buying one product and replace it with a more-valued alternative. Instead, this shift will appear as an expansion as consumer perceptions broaden to encompass a wider range of needs. For example, wellness consumers who desire to slow down, feel connected, and simplify, may dramatically increase their total-wellness consumption (measured in dollars as well as in time invested) with the prioritization of their real needs, physically, mentally, emotionally and spiritually. For example, they may want to take more time to shop instead of rushing in and out, because they enjoy learning about new products and connecting with others in the retail environment.

Expanding consumer needs mirror the intensification of wellness behaviors. In light of this, consumers will behave less logically and predictably, and instead do what “makes sense.” Determining what “makes sense” to their consumers (consciously and unconsciously) is the challenge facing the wellness industry in the year 2002.

CULTURAL SHIFT AND SOUL VALUES

Since The Hartman Group's groundbreaking report, *Natural Sensibility: A Study of America's Changing Culture and Lifestyle*, in 1998, we have been analyzing trends and forecasting shifts in consumer lifestyles. A major shift has been catapulted into consumer consciousness in recent months due to external forces, particularly September 11. From our numerous discussions with consumers, there has emerged a single, unifying theme that links narratives. Respondents are virtually unanimous in their quest for wellness, yet no two individuals are on the same journey.

Regardless of the paths, we think that the shift is driven by a deep cultural longing to find a more “soulful” way of living. People wander into and out of this new aspirational lifestyle in response to the longing for soul; some, of course, are more conscious of their reasons for doing so than others (Table 1).

We have identified five larger, societal factors driving the trend toward wellness and their soul values (Figure 1). Some are directly related to the general evolution of the modern world.

TABLE 1. SOUL VALUES IN 2002.

| Old ways | Soul ways |
|------------------|-------------------------|
| Hierarchical | Interactive |
| Chain of command | Web |
| Authority | Authenticity |
| Functional | Beautiful |
| Mass market | Individual consumer |
| Rationality | Intensity of experience |
| Information | Knowledge/wisdom |
| Analytic | Integrative |
| Reactive | Proactive |
| Technology | Art |
| Synthetic | Organic |
| Big | Small |
| Health | Wellness |

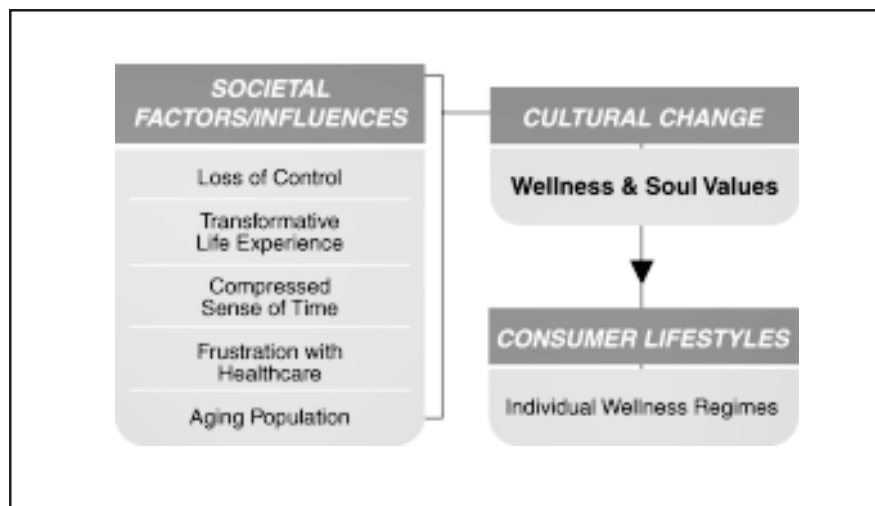


Figure 1. Model of cultural change; factors influencing individual wellness regimes.

Generalized Loss of Control A distinguishing feature of the modern condition is the large, impersonal, bureaucratic nature of social, economic, and political institutions. Not surprisingly, people often have a sense of alienation and frustration with the perceived unresponsiveness of these institutions. Therefore, many of the consumers we have spoken with suggest that their interest in dietary supplements, for example, is part of a desire to manage their own health and well-being, lending a sense of empowerment:

I took personal responsibility for my well-being. That was the big major point. [I] just said, you know what? If you want to have an athletic body, you want to have energy, you want to always look great, you want to look fresh—it starts from within.—Female, 30s, New York City

Transformative Life Experience Many of the consumers we have interviewed identified a specific medical crisis or other event that served as a catalyst for wellness participation. We are examining whether the events of September 11 are affecting the long-term mindset of wellness consumers:

...it didn't affect what I do on a day-to-day basis, but it did make me stop and think about what's important to me. I think about happiness in my job, spending more time with my family, not stressing out so much, trying to enjoy things more fully. I'd like to think that this will be permanent, but, long term, I just don't know.—Female, 50s, Seattle

Several of our respondents explained that a cancer diagnosis served as the transformative life experience that helped them enter the world of wellness:

I started taking that [omega-3 fish oil]. Actually, a friend and I started taking that because we read some of the research about that and breast cancer. And since I've had breast cancer and my friend has, I thought, well, it's certainly not going to hurt me.—Female, 50s, San Francisco

Compressed Sense of Time In the twenty-first century, time seems ever more compressed. Advancements in technology, such as electronic paging, cellular phones, e-mail, video conferencing and hand-helds, have left many people the victims of a “time famine.” Thus, consumers pursue wellness as a strategy to cope with the stress and hectic pace of the modern experience:

*...[with] more stress in my job or my life—life with a 5-year-old—[I'm] just trying to maintain my health, well-being and sanity.
—Female, 50s, San Francisco*

Growing Frustration with Healthcare Consumers often express general frustration with the nature and efficacy of the current healthcare system in the United States. Specifically they are dissatisfied with the impersonal, bureaucratic nature of managed-care systems. Likewise, they are frustrated with the perceived arrogance of conventional healthcare professionals—especially when faced with a host of chronic conditions for which western

medicine appears incapable of offering any long-term solutions (colds, asthma, allergies, arthritis, stress, etc.).

...after the [chiropractic] treatment, I feel more invigorated...I respect [the chiropractor]. She doesn't tell me what to do. She lays out alternatives, you know, diets, all this, "you may want to walk, not run."—Male, 40s, San Francisco

We should add that—dismay and frustrations notwithstanding—consumers have not abandoned their conventional, managed-care facilities and physicians. Instead, they appear to integrate alternative practitioners where they perceive the most efficacy (holistic care for long-term well-being and for chronic conditions) and retain conventional medical professionals for care for serious, acute conditions.

Aging Population Consumers commonly responded to our questions regarding motivation to enter the wellness world by stating a desire to take better care of themselves as they age. A number of our older respondents started using multivitamins in recent years to help them stay strong and feel “young.” Often, older consumers react to the onset of aging by building wellness social networks to compare products, services, and lifestyle activities:

The older I get, the more I get interested in health. It's interesting, a lot of the people I work with are...health conscious too, and we get to talking about things that we take and what works for us and what doesn't work for us. Most of my friends are interested too, because I guess we're all getting [older]. And I recommend things and then people recommend things to me, and it's like a little network.
—Female, 50s, San Francisco

From a wellness perspective, the year 2002, still overshadowed by September 11, marks a deepening of this shift. Consumers are pursuing wellness as a coping strategy—an antidote—to the stress and accelerated pace of society. Some consumers make incremental lifestyle adaptations toward wellness, whereas others utilize wellness as a concrete, pragmatic solution. After September 11 and with the continued strain on the economy, consumers' quest for wellness takes on new significance.

Today, consumers are discovering and identifying themselves in the products and services they choose for their wellness lifestyle—in essence, branding themselves. We have termed these social rituals of consumer behavior “individual wellness regimes.” An individual's wellness regime consists of the collection of specific products, services, and behaviors they choose in an effort to achieve their definition of wellness. Individual consumers can choose from the array of options and move into and out of product worlds as their definition of wellness evolves over time.

Most consumer participation in the wellness arena reflects a pragmatic, piecemeal approach, integrating products and services in some sectors of their lives and not others. We have found that many consumers “enter and exit” these worlds, participating more heavily in some areas than in others. Movement within specific wellness-product worlds is frequently non-uniform, at times is unpredictable, and is often subject to other, more immediate factors associated with the demands of everyday living: how consumers live, where they shop and what they buy.

FINDING CLARITY IN CONSUMER CONTRADICTION

Lifestyle means “way of living.” Consumers lead messy lives, full of contradictions. No longer are we analyzing specific data points, rather we are reconciling how consumers say they live to what they really do day to day. Wellness lifestyles transcend demographic and cultural boundaries; today, consumers of all generations and backgrounds subscribe to the concept of wellness and its soul values.

It should come as no surprise that individualistic, psychological approaches dominate the field of consumer research. If one wants to understand consumer behavior, what better way than to measure attitudes, preferences and opinions of individuals and relate them to consumer purchasing habits (behavior)? This approach is historically so widespread that virtually any market-research strategy includes some attitudinal/opinion-based components. Unfortunately, as anyone who has carefully scrutinized attitudinal and opinion-based information is painfully aware of, this approach does not always work.

Simply put, attitudes and opinions tend to be transitory and rarely serve as robust predictors of behavior.

The larger debate regarding links between attitudes and behavior has rankled academics in the social sciences—primarily psychology and sociology—for decades. Since this debate may never be settled, many in the market-research industry have sought new perspectives on consumer behavior. Popular examples seen in the natural-products arena today are the LOHAS (Lifestyles of Health and Sustainability) and Cultural Creatives consumer surveys, which attempt to shift the research focus from attitudes and opinions to values, which are thought to be more deeply held, entrenched and, hence, less transient. This approach views individual behavior as largely self-driven, with motivations coming from within the individual as mediated by a specific value set.

While this and previous individualist-centered approaches may tell part of the story, we contend that something is to be gained by shifting the lens of the research camera. That is, rather than interpreting consumer behavior as the outcome of individual, psychological dynamics—attitudes, values and beliefs—we suggest examining consumer behavior as a response to larger societal and institutional forces. Specifically, we consider how individuals translate changes

in the broad, cultural sphere into everyday actions, and, reciprocally, how these changes in individual behavior eventually culminate in changes in cultural trends.

So, what is the best way to talk about wellness consumers? Based on the integrated research methods of the social sciences and analysis of over 13 years of quantitative data, The Hartman Group has developed a model of consumer behavior in wellness from a world perspective: at the center of this world are core wellness consumers, behaviors, and product and service offerings. All of these dimensions are linked by a common world theme (e.g., wellness shopping), with different dimensions applying more strongly as a customer progresses from shopping at the periphery (the mass market) to the core (independent health-food store) (Figure 2).

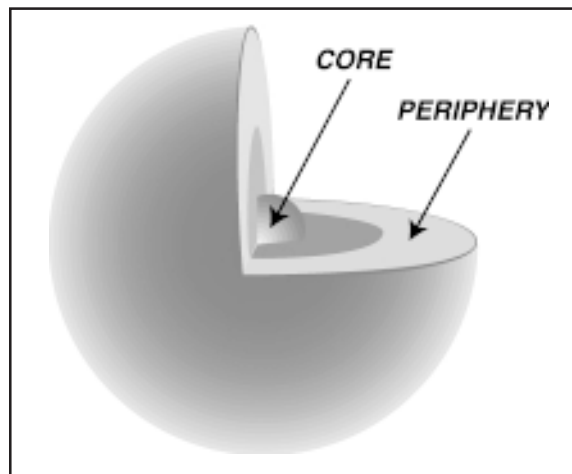


Figure 2. The world of wellness.

Central to this world perspective are dimensions that organize the world. At the periphery are familiar key buying factors, such as price, brand, and convenience, while closer to the core are areas of perception critical to the wellness consumer. Within this world are dimensions that organize and affect some areas more strongly than others. Through careful research we have identified the following key dimensions in the world of wellness:

- convenience,
- price,
- brand,
- expert opinion,
- knowledge,
- authenticity.

Cross-cutting these dimensions is the retail experience while shopping for wellness products. By designing retail experiences that reflect different dimensions of consumption, marketers can appeal to consumers occupying various locations in a particular world.

While wellness consumers and their lifestyles are evolving, The Hartman Model, and its world perspective, allows us to segment along key dimensions of consumption identified as critical to understanding core, mid-level and periphery shoppers (Figure 3).

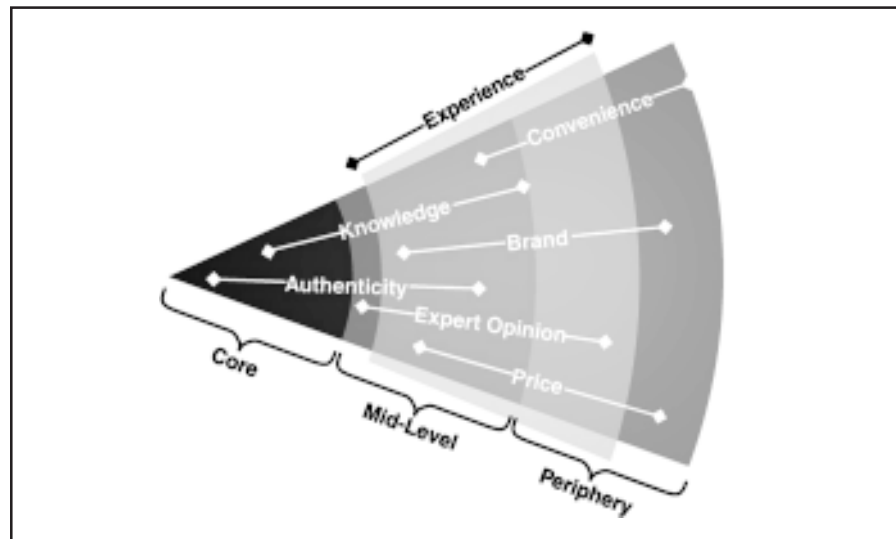


Figure 3. Dimensions of the world of wellness.

To understand attitudes and behavior in the rapidly evolving wellness market requires a multi-phase research approach that begins with lifestyle and cultural analysis. This sociocultural landscape is then deconstructed through an exploration of how the overall category of wellness products are first adopted and then used.

It is worth noting again, for purposes of consumer research, that people lead “messy” lives. In other words, consumers will not always remain in the core or the periphery for everything; they may reevaluate the importance of authenticity and knowledge, or price and convenience. The extent to which consumers hold attitudes and engage in behaviors that comprise activities at the core of the world of wellness determines their position relative to the core. Those in the core exhibit the widest range and highest levels of participation in core activities, whereas those on the periphery participate only infrequently in a narrow range of core activities.

Rethinking Old Methods As consumers acclimate to the twenty-first century and make their subsequent lifestyle adaptations, we too must move with the consumer:

- New methodologies are needed to follow and identify common threads and patterns that direct consumers in their journeys within the marketplace.
- Increasingly, those common threads and patterns will be seen to be associated as much with lifestyle and consumption practices as with easily identifiable consumer needs.
- Those who best identify the themes, threads, connections that affect consumers will stand the best chance of success in this emerging marketplace.

HOW CONSUMERS LIVE

Realizing that it is no longer effective to simply rely on demographics to tell the story of what is happening in the marketplace, we need to understand lifestyle changes by examining how today's wellness consumers are changing how they live, where they shop, and what they buy.

Our recent quantitative findings show that the market for wellness products and services is vast: 13% of households in the United States are core participants in wellness. This means that consumers in this segment rate highly on all of the following:

- proactive health and wellness lifestyle (includes regular exercise, healthy eating habits and an overall self-assessment of being proactive),
- purchase and use of dietary supplements,
- purchase and use of organic and/or natural foods and beverages.

Importantly, a full 62% of households make up the mid-level segment. As such, these consumers have a mixture of high and low ratings on use of dietary supplements, organics, and for proactive lifestyle. Periphery consumers, making up 24% of households, have low ratings on all three dimensions (Figure 4).

A wellness lifestyle emerges from specific attitudes and behaviors. Because location on the wellness continuum is fluid, however, consumers share overlapping characteristics regardless of where they are placed in the world of wellness. Consumers' attitudes and behaviors, such as purchase and use of dietary supplements, natural and organic foods, and proactive health and wellness lifestyle shape how they live. Some of the key attitudes and behaviors are:

- definition of the term "wellness,"
- personal assessment of health,
- proactive, healthy lifestyle,
- interest in and level of knowledge about wellness lifestyles,
- focus on environmental issues and community activities.

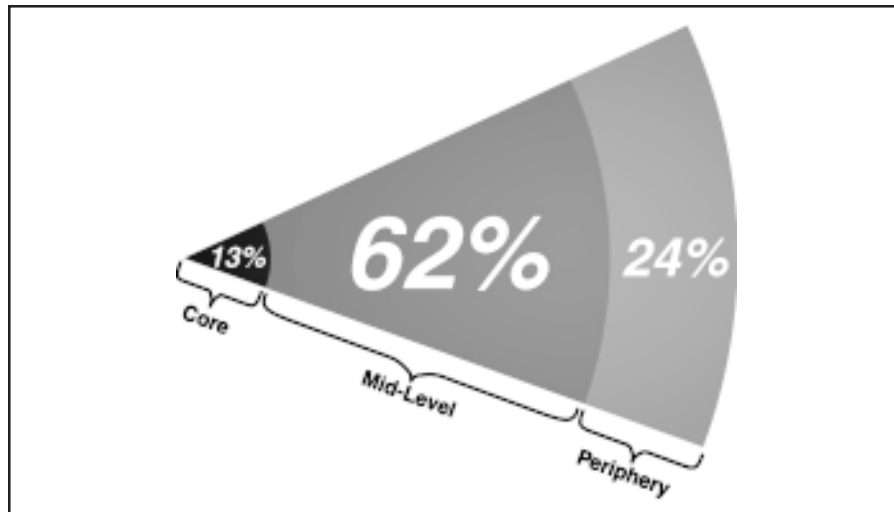


Figure 4. Wellness segments.

WELLNESS LIFESTYLE TRENDS TO WATCH

- As consumers reorder their work/life priorities, we will see greater significance placed on family and community, which will manifest itself in mealtime activities with family and friends, as well as community involvement and participation. Decrease in hours worked each week will lead to more focus on finding and making time for “what really matters.”
- There will be more emphasis on the economy than on the environment. As the economy continues to struggle, people relegate environmental concerns and move their efforts to more practical concerns, such as financial matters. Successful environmental initiatives will focus on individual health and community concerns.
- Increased focus on prevention will continue, as we see people turn more to food as medicine and therapy. There will be increased demand for healthy comfort foods replacing more extravagant gourmet items.

WHERE CONSUMERS SHOP

The wellness retail landscape comprises a wide variety of distribution channels. Traditional venues, such as grocery stores and drugstores are ubiquitous, with the related mass discount stores and club stores (*e.g.*, Wal-Mart, Sam’s Club, Costco) penetrating virtually every major (and some would say minor) population center coast to coast. Because these channels in general offer similar retail propositions to consumers, despite claims of price discounts, they can

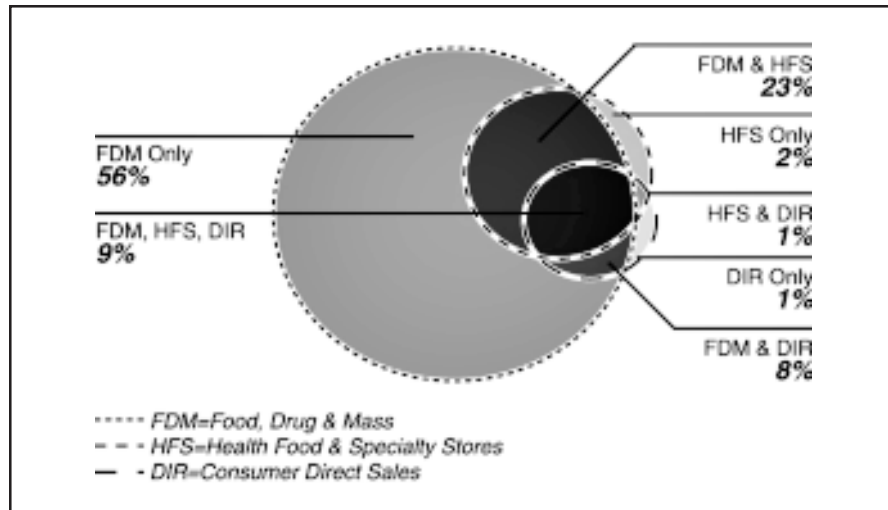


Figure 5. Where consumers shop for wellness products.

be grouped together for general analysis as the food, drug, and mass (FDM) channel (Figure 5). The second major group is called the health food and specialty store (HFS) channel. It includes health food stores, vitamin stores and farmers' markets; common among these three is the more limited and specialized product offering, such as dietary supplements and natural and organic products, typically targeted at the more discerning consumer. The remaining distribution channel is often called the direct channel, (DIR), which includes the Internet, direct from manufacturer, direct sales, and direct from healthcare professionals.

The traditional FDM channel captures the bulk of the market for wellness products, with grocery stores enjoying patronage from an astounding 75% of consumers. World-of-wellness products include a large number of traditional grocery items, such as fruits, vegetables, dairy, poultry, and seafood, which, in turn, affect channel selection, particularly for consumers seeking shopping convenience. With this in mind, it is important to understand the other factors influencing where consumers shop and why they buy products where they do. Some of the differentiating factors influencing consumers' selection of where they shop are:

- presence of knowledgeable salespeople,
- positive shopping experience,
- reasonable price.

WELLNESS RETAIL TRENDS TO WATCH

- Retail outlets with a smaller footprint and neighborhood presence will increase, catering to consumers on-the-go who still crave a retail experience. More specialty and prepared foods, all with store-to-consumer interaction, become critical, as well as store events and classes incorporating community experience.
- Consumers will shift towards wellness retailers who make their lives easier: places that are not so overwhelming that decision-making becomes a chore, people who help consumers navigate through massive amounts of wellness information, and products that are easy to understand and easy to prepare.
- Consumers will gravitate towards retailers who provide them with community and share experience, acting as trusted lifestyle advocates (e.g., providing networking opportunities to other effective health resources/events, as well as connecting people making similar lifestyles choices).
- Consumers will expect wellness companies to focus less on producing the latest, greatest, newest item and more on making sure that their current products maintain high quality. Likewise, we will see continued acquisition of smaller niche manufacturers as larger corporations opt for backing and promoting established, trusted brands rather than creating and introducing new products.

WHAT CONSUMERS BUY

It is no wonder that, from a market researcher's perspective, consumers' wellness lifestyles seem messy. How are we to understand the logic behind the complex aggregation of products that consumers include in their particular wellness regimes, e.g. the consumer who eats soy products and red meat or who takes herbal supplements but hates fresh vegetables?

Understanding how consumers use different products and ascribe importance to their wellness lifestyle is one of the mainstays of Hartman Group research. Using this comprehensive model of consumers' wellness lifestyles, we establish a framework for analyzing just what people do and do not do to maintain their health.

For consumers who have a low level of involvement in wellness activities, periphery wellness consumers, products such as organic foods and soy products play a very limited role. Figure 6 compares a wide variety of products in terms of the role they play in periphery consumers' wellness lifestyles.

Traditional food products such as dairy items, red meat, and fresh vegetables are significant parts of the periphery consumer's wellness lifestyle, both in terms of how frequently the products are used and their importance to the wellness regimes. The significance of these products is graphically represented

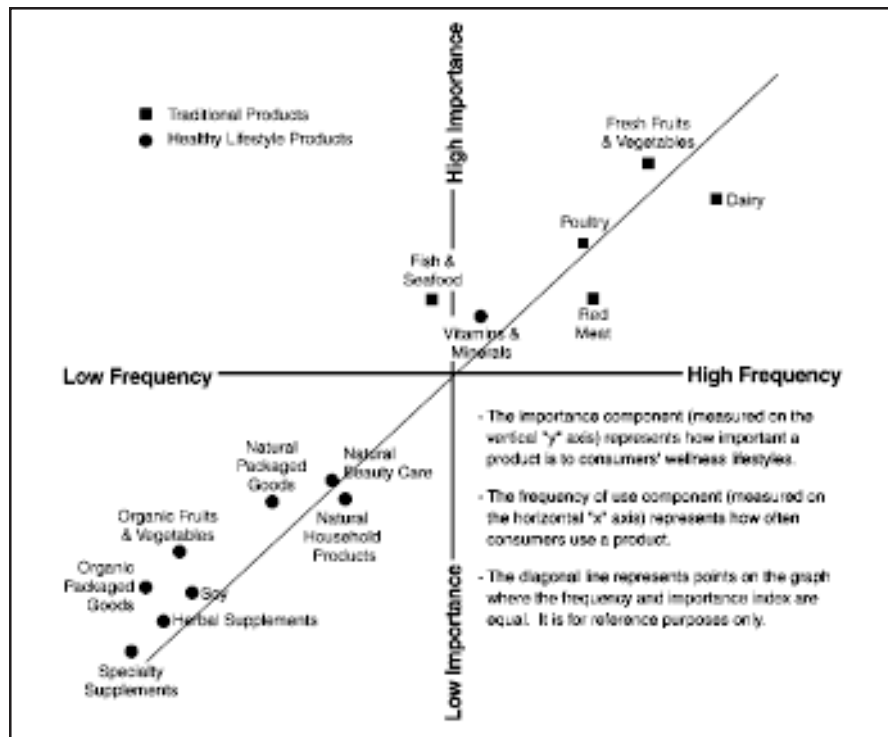


Figure 6. Periphery wellness consumers: product frequency of use and importance.

by their location in the upper right quadrants (Figure 6). At the other end of the scale, in the lower left quadrant, are what are commonly considered the healthy-living food categories: organic fruits and vegetables, soy products and herbal supplements. For the periphery consumer, these products have a very limited role in their wellness regimes.

Comparing the same analysis for mid-level (Figure 7) and core (Figure 8) wellness consumers reveals marked increases in the importance and use of the healthy-living products.

Along the continuum from the periphery to the mid-level and from the mid-level to the core, consumer use of the healthy-living products registers marked increases, both in the importance and in the frequency-of-use indices. Focusing on the transition from the periphery to mid-level, we find the importance of healthy-living products as a group increases 37%, and the frequency of use increases 12%. The same analysis of the transition from the mid-level to the core reveals the importance index for the same products increasing 38%, and

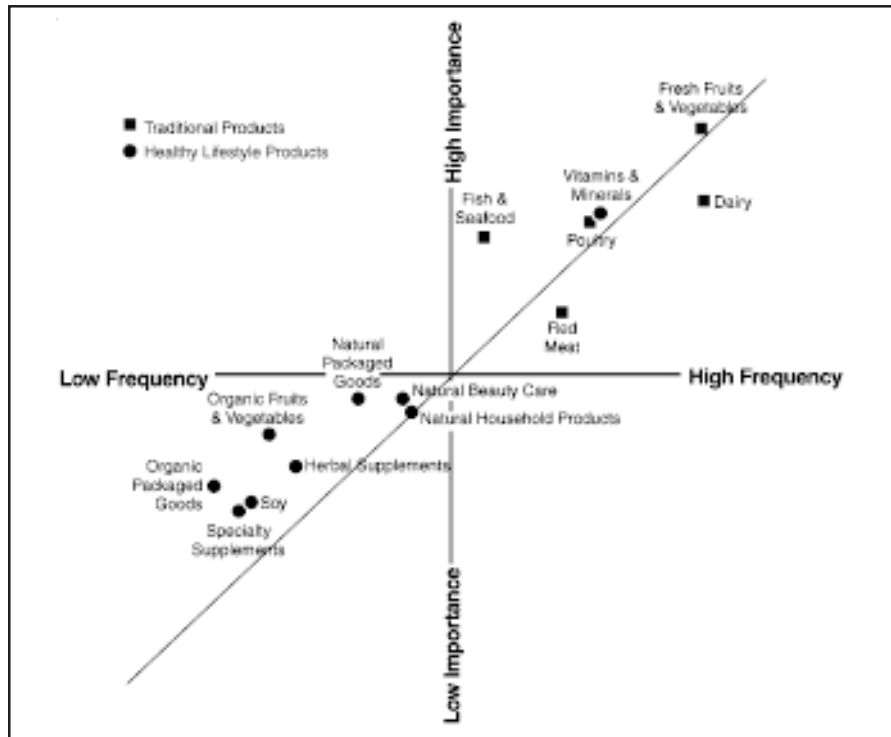


Figure 7. Midlevel consumers: product frequency of use and importance.

the increase in the frequency-of-use index is 22%, nearly twice what we found for the transition from periphery to mid-level. In terms of what this implies about the different wellness lifestyles of consumers, we surmise:

- Periphery consumers are relatively uninvolved and unconcerned about incorporating products in their wellness lifestyles outside of the traditional “meat and potatoes” food groups.
- Consumers at the mid-level are rapidly increasing their awareness of the importance of various types of healthy-living products as they consider alternatives to the traditional way of eating. At this point though, consumers are on a very steep learning curve and have not significantly changed many aspects of their diets to reflect their increased awareness.
- At the core, consumers have significant involvement in their wellness lifestyles both in terms of the information they are gathering and the variety of products they are incorporating into their wellness regimes. It should be noted that, even for core consumers, learning about the opportunities to change their lifestyles for the better is still a primary

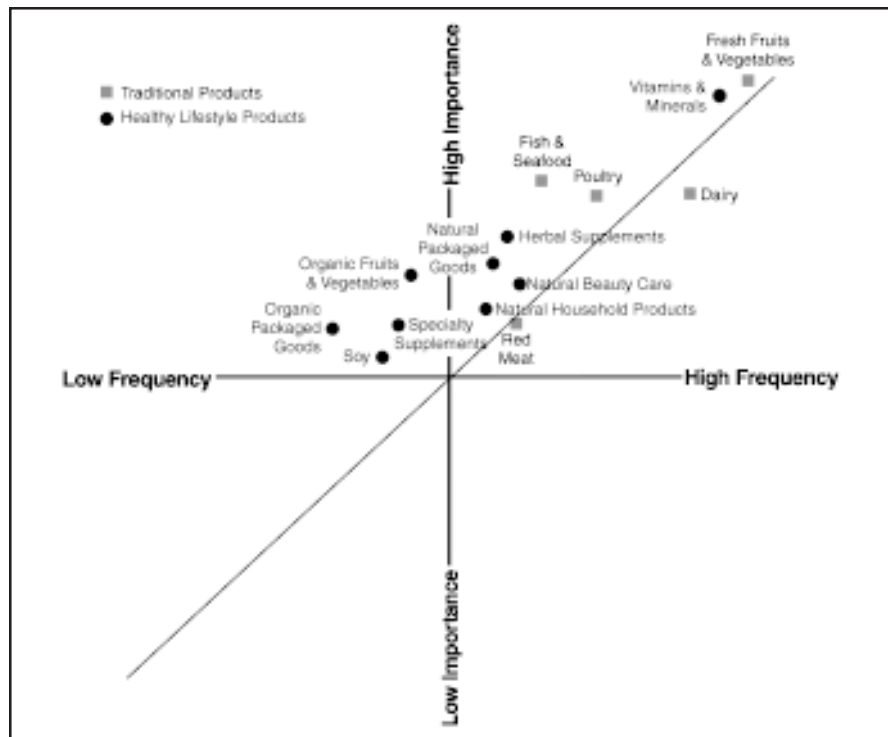


Figure 8. Core consumers: product frequency of use and importance.

activity, but, as opposed to the mid-level wellness consumers, the information assimilation occurs in tandem with lifestyle changes to improve health.

WELLNESS PRODUCT TRENDS TO WATCH

- Spa services market will continue to grow as consumers seek small indulgences to reduce stress and contribute to their overall health and well being. We will see increased day spa visits made possible by more in-and-out spas in convenient locations such as shopping malls, fitness clubs, airports, and hotels. This growth will spur increased use of home-spa products that consumers will enjoy between visits. In addition, more Americans will choose destination spas for their vacations where fitness, pampering, and fine dining are all-inclusive.
- Though the dietary-supplement category as a whole is lackluster, specialty supplements will grow on a product-by-product basis, such as glucosamine/chondroitin and probiotics.

- The functional-food industry will continue to grow as companies receive patents specific to particular organisms or varieties of plants, and large manufacturers market the benefits of existing products such as orange juice with calcium and other standard beverages fortified with dietary supplements. Despite their insistence that they want their supplementation in food, it remains to be seen if consumers will be accepting of functional foods.
- As consumer demand for organics is met at mainstream retail grocery outlets with the expansion of natural and organic departments, consumers will also be looking to restaurants to provide more organic options. Similarly, more organic ingredients will be available in prepared foods made in grocery delis.
- With continued focus on prevention, alternative medicine will increasingly be integrated with conventional medicine. Consumers will not turn away from the conventional approach, but will supplement it with new techniques and approaches. Economical home remedies will be increasingly favored, e.g. natural medicine kits, herbal teas, compresses, videotapes, books; and use of alternative medicine will increase, especially massage, aromatherapy and homeopathics (especially among new mothers).
- Children and teens will show greater interest in wellness products, demonstrating independence in purchase decisions, with particular emphasis on on-the-go wellness products and niche brands that create and carry a certain status.

CONCLUSION

Our experience at The Hartman Group has led us to understand that there is one fundamental constant regardless of how chaotic and fast moving the marketplace may seem: *change in the marketplace is consumer driven*. Although this is obvious to most, the implications may not be. For, in order for business people to be proactive, they need to understand that consumers lead, and the only way to understand consumers trends is to understand the forces that drive them.

These complex forces become clearer when consumers are viewed not as isolated individuals but rather as participating in larger lifestyle or cultural worlds. A basic assumption that lies as a foundation for the information presented here is that consumers do not operate in a vacuum. They operate within the larger social context we call culture, and culture shapes lifestyle. The forces shaping lifestyle and the product worlds that serve them are the forces shaping our culture as a whole.

During this time of flux and recovery from the cataclysmic events of September 11, it is dangerous to assume that consumer reactions will be extreme. Reactions to these events will not manifest in total lifestyle shifts; rather, consumers will continue to strive for the “aspirational lifestyle.”

As consumers choose new products and services, and new lifestyle behaviors, we have to give them the freedom to be human, contradictory, and, most importantly, messy.

The pursuit of wellness, with construction of individual wellness regimes, is a common goal among consumers seeking respite and differentiation from an increasingly complex society. Based on increasing sophistication in manufacturing and retailing, and a wide range of natural products and services, manufacturers and merchandisers can now interact on a more personal level with consumers to create more customized lifestyle worlds. These lifestyle worlds represent interpretive arenas centered on a specific product and its associated method(s) of consumption.

In such worlds, consumers come not only to identify themselves, but also to promote the identities they adopt within each associated lifestyle world. It is important to recognize that although merchandisers create the lifestyle associated with a particular product, consumers are still the ones who organize themselves into specific product worlds.

Defining target markets and anticipating future wellness lifestyle trends based solely on demographics provides little or no guidance to wellness marketers, because consumers adopt wellness lifestyles at different paces and pick and choose from a wide selection of products and services that no longer depend on age, income, or education. And, interestingly, wellness adoption is so widespread that the demographics of the wellness consumer are nearly identical to those of the general population. The Hartman Model's "world perspective" segments consumers based on their attitudes, behaviors and level of participation in a wellness lifestyle. Looking at how these consumers live, shop and buy in the current marketplace reveals meaningful consumption patterns that cut across demographic boundaries—it's about lifestyle, not just lifestage.